Calendar No. 34

100TH CONGRESS *1st Session*	SENATE	REPORT 100-13

NEW GI BILL CONTINUATION ACT

REPORT

OF THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 12

MARCH 17, 1987.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
91-010 WASHINGTON : 1987

S763-1

COMMITTEE ON VETERANS' AFFAIRS

ALAN CRANSTON, California, *Chairman*

SPARK M. MATSUNAGA, Hawaii	FRANK H. MURKOWSKI, Alaska
DENNIS DeCONCINI, Arizona	ALAN K. SIMPSON, Wyoming
GEORGE J. MITCHELL, Maine	STROM THURMOND, South Carolina
JOHN D. ROCKEFELLER IV, West Virginia	ROBERT T. STAFFORD, Vermont
BOB GRAHAM, Florida	ARLEN SPECTER, Pennsylvania

JONATHAN R. STEINBERG, *Chief Counsel/Staff Director*

ANTHONY J. PRINCIPI, *Minority Chief Counsel/Staff Director*

CONTENTS

	Page
Committee amendment	1
Introduction	2
Basic purpose and summary of S. 12 as reported	3
Discussion:	4
Background	4
Committee bill	4
Rejection of proposed transfer of funding and budgeting to Department of Defense	10
Conclusion	10
Cost estimate	10
Regulatory impact statement	16
Section-by-section analysis of S. 12 as reported	16
Tabulation of votes cast in committee	17
Agency reports	17
Changes in existing law made by S. 12 as reported	29
Appendix	33

Calendar No. 34

100TH CONGRESS
1st Session

SENATE

REPORT
100-13

NEW GI BILL CONTINUATION ACT

MARCH 17, 1987.—Ordered to be printed

Mr. CRANSTON, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany S. 12]

The Committee on Veterans' Affairs, to which was referred the bill (S. 12) to amend title 38, United States Code, to remove the expiration date for eligibility for the educational assistance program for veterans of the All-Volunteer Force; and for other purposes, having considered the same, reports favorably thereon with an amendment in the nature of a committee substitute, and recommends that the bill, as amended, do pass.

COMMITTEE AMENDMENT

The amendment is as follows:

Strike out all after the enacting clause as follows:

[SECTION 1. SHORT TITLE.

[This Act may be cited as the "New GI Bill Continuation Act".

[SEC. 2. CONTINUATION OF THE ALL-VOLUNTEER FORCE VETERANS' EDUCATIONAL ASSISTANCE PROGRAM.

[(a) Section 1411(a)(1)(A) of title 38, United States Code, is amended by striking out "during the period beginning on July 1, 1985, and ending on June 30, 1988," and inserting in lieu thereof "after June 30, 1985,".

[(b) Section 1412(a)(1)(A) of such title is amended the striking out "during the period beginning on July 1, 1985, and ending on June 30, 1988," and inserting in lieu thereof "after June 30, 1985,".

[SEC. 3. CONTINUATION OF EDUCATIONAL ASSISTANCE FOR MEMBERS OF THE SELECTED RESERVE.

[Section 2132(a)(1) of title 10, United States Code, is amended by striking out "during the period beginning on July 1, 1985, and ending on June 30, 1988," and inserting in lieu thereof "after June 30, 1985".]

and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "New GI Bill Continuation Act".

SEC. 2. CONTINUATION OF ALL-VOLUNTEER FORCE VETERANS' EDUCATIONAL ASSISTANCE UNDER THE NEW GI BILL PROGRAM.

(a) Section 1411(a)(1)(A) of title 38, United States Code, is amended by striking out "during the period beginning on July 1, 1985, and ending on June 30, 1988," and inserting in lieu thereof "after June 30, 1985,".

(b) Section 1412(a)(1)(A) of title 38, United States Code, is amended by striking out "during the period beginning on July 1, 1985, and ending on June 30, 1988," and inserting in lieu thereof "after June 30, 1985,".

SEC. 3. CONTINUATION OF EDUCATIONAL ASSISTANCE FOR MEMBERS OF THE SELECTED RESERVE UNDER THE NEW GI BILL.

Section 2132(a)(1) of title 10, United States Code, is amended by striking out "during the period beginning on July 1, 1985, and ending on June 30, 1988" and inserting in lieu thereof "after June 30, 1985,".

SEC. 4. REVISION OF DECLARED PURPOSES.

Section 1401 of title 38, United States Code, is amended—

(1) by striking out "and" at the end of clause (2) and redesignating clauses (2) and (3) as clauses (4) and (5), respectively;

(2) by inserting after clause (1) the following new clauses (2) and (3);

"(2) to extend the benefits of a higher education to qualifying men and women who might not otherwise be able to afford such an education;

"(3) to provide for vocational readjustment and to restore lost educational opportunities to those service men and women who served on active duty after June 30, 1985;";

(3) by striking out the period at the end of clause (5), as redesignated by clause (1) of this section, and inserting in lieu thereof a semicolon and "and"; and

(4) by inserting at the end the following new clause:

"(6) to enhance our Nation's competitiveness through the development of a more highly educated and productive work force.".

INTRODUCTION

S. 12 was introduced on January 6, 1987, by the Chairman of the Committee, Senator Alan Cranston, along with Senator Frank Murkowski, the Ranking Minority Member, and Committee Members Spark M. Matsunaga, Dennis DeConcini, George J. Mitchell, John D. Rockefeller, IV, and Bob Graham, and Senators William S. Cohen and Ernest F. Hollings. Joining later as cosponsors were Committee Members Robert Stafford and Arlen Specter and Senators Paul Simon, Thomas A. Daschle, Frank R. Lautenberg, Larry Pressler, John Melcher, Richard G. Lugar, Richard Shelby, Tom Harkin, Terry Sanford, Daniel K. Inouye, John Heinz, and Thad Cochran. As introduced, S. 12 would amend titles 38 and 10, United States Code, to remove the eligibility expiration dates for the educational assistance programs, popularly known as the "New GI Bill", for certain members and veterans of the All-Volunteer Force and for certain members of the Selected Reserve.

On February 4, 1987, the Committee held a hearing on S. 12. At the request of the Chairman, the preponderance of the hearing was chaired by Senator Matsunaga. Testimony was received from Senator Daschle; Veterans' Administration Chief Benefits Director R.J. Vogel; Assistant Secretary of Defense for Force Management and Personnel Chapman B. Cox; Principal Deputy Assistant Secretary of Defense for Reserve Affairs Dennis R. Shaw; Army Deputy Chief of Staff for Personnel Lieutenant General Robert M. Elton, Chief of Naval Personnel Vice Admiral Dudley L. Carlson, Air Force Deputy Chief of Staff for Personnel Lieutenant General Thomas A.

Hickey, and Marine Corps Deputy Chief of Staff for Manpower Lieutenant General Ernest C. Cheatham; representatives of the following organizations of members of the Armed Forces and the Selected Reserve—the Non Commissioned Officers Association, the Reserve Officers Association of the United States, the Association of the United States Army, the National Association for Uniformed Services, the Air Force Sergeants Association, and the Fleet Reserve Association; representatives of the following veterans' service organizations—the Veterans of Foreign Wars of the United States, The American Legion, the Disabled American Veterans, the Paralyzed Veterans of America, and the American Veterans Committee; and representatives of the following organizations from the higher education community—the American Association of State Colleges and Universities, the American Association of Community and Junior Colleges/American Association of Community College Trustees, and the National Association of Veteran Program Administrators.

After carefully reviewing the testimony from the hearing, the Committee met in open session on February 25, 1987, and voted unanimously to report S. 12 favorably to the Senate with an amendment in the nature of a substitute.

Basic Purpose and Summary of S. 12 as Reported

The basic purpose of S. 12 as reported (hereinafter referred to as "the Committee bill") is to provide for the indefinite continuation of the New GI Bill educational assistance programs for members and veterans of the All-Volunteer Force beyond June 30, 1988, the current date for closing off the programs to new participants.

Thus, the Committee bill contains amendments to chapter 30 of title 38, United States Code, and chapter 106 of title 10, United States Code, which would:

1. Eliminate the June 30, 1988, deadline by which individuals must enter on active duty in order to be eligible for the educational assistance program under chapter 30 of title 38, United States Code.

2. Eliminate the June 30, 1988, deadline by which individuals must enter, or make a specified commitment for further service in, the Selected Reserve in order to be eligible for the educational assistance program under chapter 106 of title 10, United States Code.

3. Declare that, in addition to the existing Congressionally-declared purposes of the chapter 30 New GI Bill program, the purposes of the program under chapter 30 of title 38, United States Code, are—

   (a) to extend the benefits of a higher education to qualifying men and women who might not otherwise be able to afford such an education;

   (b) to provide for vocational readjustment and to restore lost educational opportunities to those service men and women who serve on active duty after June 30, 1985; and

   (c) to enhance our Nation's competitiveness through the development of a more highly educated and productive work force.

DISCUSSION

BACKGROUND

The Veterans' Educational Assistance Act of 1984, enacted in title VII of Public Law 98-525, established two new educational assistance programs, popularly known as the "New GI Bill", one under chapter 30 of title 38, United States Code, for new active-duty service personnel and the other under chapter 106 of title 10 for members of the Selected Reserve. The New GI Bill was enacted for a 3-year period and replaced the "Post-Vietnam Era Veterans Educational Assistance Program", known as "VEAP", wich was terminated by Public Law 99-576.

Under the chapter 30 program an individual who enters on active duty for the first time during the 3-year period from July 1, 1985, through June 30, 1988, and who does not, upon entering on active duty, decline to participate in the program is entitled to basic educational assistance benefits—generally $300 a month for 36 months for a total of $10,800—in exchange for completion of a 3-year period of active dity with an honorable discharge. Alternatively, an individual who completes a 2-year period of active duty with an honorable discharge and 4 years' service in the Selected Reserve is entitled to 36 months of basic educational assistance benefits at $250 a month. The basic pay of participating servicemembers is reduced by $100 per month during the first 12 months of service. In addition, the service branches may offer recruits monthly benefit increases, known as "kickers", in order to enhance recruitment in critical skill areas or to encourage longer enlistments.

The basic benefits are paid for and administered by the Veterans' Administration. The supplemental benefits are also administered by the VA but are paid for by the individual service branch.

Under the chapter 106 program for the Selected Reserve, an individual who, during the test period, enlists, reenlists, or extends for a period of at least 6 years in the Selected Reserve is entitled to an educational benefit of up to $5,040 for undergraduate college education with no reduction in basic pay. These benefits are administered by the VA but paid for by the individual service branch.

The Veterans' Educational Assistance Act of 1984, in connection with establishing the New GI Bill for a 3-year period, closed to new entrants during that same period the title 38 chapter 32 program—VEAP. VEAP was scheduled to be resumed on July 1, 1988, the day after the end of the 3-year New GI Bill test period. However, last year, in section 309 of Public Law 99-576, Congress permanently closed VEAP to new enrollments. Congressional action, therefore, is necessary in order to avoid a hiatus in the availability of an educational assistance program for new entrants on active duty or into the Selected Reserve after June 30, 1988.

COMMITTEE BILL

Continuation of All-Volunteer Force Veterans' Educational Assistance Under the New GI Bill

Section 2 of the Committee bill would provide for the continuation of the chapter 30 New GI Bill program for active-duty personnel by eliminating the June 30, 1988, deadline by which new

Armed Forces personnel must enter on active duty in order to be eligible to participate.

Societal and Economic Value.—Without exception, the witnesses at the Committee's February 4 hearing testified in favor of continuing the program, with the personnel chiefs of the uniformed services providing especially strong, enthusiastic backing. A recurring theme expressed by every non-Administration witness at the February 4 hearing was that the chapter 30 program of educational assistance for members of the All-Volunteer Force should be continued indefinitely because of its great societal and economic value. Witnesses referred to prior GI Bills as perhaps the greatest investment our country has ever made—training more than 18 million veterans and providing $60 billion in educational benefits since World War II—and contributing immensely to a healthy economy. It is widely accepted that for every dollar spent in GI Bill benefits, the Nation is returned $3 to $6 in increased tax revenues. The educational assistance made available under a permanent New GI Bill program has the potential to contribute significantly to our vitality and strength as a world economic power by improving the access of servicemembers and veterans to education. As such, the New GI Bill constitutes a highly cost-effective investment in our Nation's human resources.

Moreover, the New GI Bill plays an important societal role in helping to ensure that, in the future, substantial numbers of highly-educated Americans will continue to be veterans of military service. Arthur Hadley, in his book *The Straw Giant,* describes what he calls "The Great Divorce" between those who make the decisions that guide all segments of our society and those who have served in the Armed Forces and the costs that society pays when decision makers have no military experience and thus lack a full understanding of the capabilities and limits of military power. Since higher education is generally a basic prerequisite for decision-making positions, the New GI Bill helps to ensure that those who have served in our Armed Forces will have the opportunity to participate in the decisions that shape American life—not just in the highest councils of government, but also in business, the media, labor, education, and other major segments of our society.

The Committee notes that the New GI Bill was conceived and created with the benefit of the experience and knowledge gained through the operation of the three veterans' education GI Bills and the VEAP program that preceded it. The New GI Bill is voluntary; only those servicemembers who desire to participate in the program earn the entitlement to do so, and they elect to receive a lower rate of pay for the first year of their service in order to participate. In comparison with the earlier GI Bills, the Committee believes that the value of the educational opportunity created by the New GI Bill is enhanced by both the servicemember's voluntary decision to participate and by the short-term sacrifice represented by the lower rate of monthly pay. Although the percentage of veterans who received education or training utilizing the prior programs ranged from less than 20 percent for VEAP, to 43.4 percent for the Korean-conflict GI Bills, to 50.5 percent for World War II, to 68 percent for the Vietnam-era GI Bill, the Committee believes that the utilization rate for the new GI Bill will eventually equal or

exceed the approximately 50 percent of all service personnel who participated under the prior programs, especially as the New GI Bill becomes better known.

Although it is too early to have meaningful data on New GI Bill participants actually utilizing New GI Bill benefits, the Committee notes that in FY 1986 64.7 percent of servicemembers entering active duty military service DoD-wide enrolled in the New GI Bill program. Moreover, the Committee expects that the periods during which veterans use their benefits will be far more substantial than under the Vietnam-era program, under which it is generally understood that short-term usage of benefits occurred frequently. (For example, the VA reports that 19 percent of all veterans who trained under the Vietnam-era GI Bill did so for 2 months or less.) Another benefit produced by the New GI Bill is that a servicemember who knows that an honorable discharge will create an opportunity for education is more likely to provide enthusiastic and honorable service.

Readjustment Value.—A second reason cited for continuing indefinitely the New GI Bill for the active-duty All-Volunteer Force is its enormous value as a readjustment tool for members of our Armed Forces who elect to return to civilian life. As set forth in chapter 30 of title 38, United States Code, the first declared purpose of the New GI Bill is "to provide a new educational assistance program to assist in the readjustment of members of the Armed Forces to civilian life after their separation from military service". In this vein, VA Chief Benefits Director Vogel testified that the VA recognized the New GI Bill as a readjustment tool in the tradition of the World War II, Korean-conflict, and Vietnam-era GI Bills. Assistant Secretary of Defense for Force Management Chapman B. Cox, as well as all five of the veterans' organizations, witnesses and all six organizations representing active-duty servicemembers and members of the Selected Reserve, agreed with the VA with respect to the value of the past GI Bills and the New Bill in providing opportunities for training and as a means of facilitating readjustment to civilian life for those who have served in the Armed Forces.

Recruitment and Retention Value.—A third reason for continuing the New GI Bill for the active-duty All Volunteer Force is its great value as a recruitment and retention tool. The Committee is convinced from the testimony and other evidence at the hearing and from field trips made by House and Senate Committee members and staffs that the New GI Bill is a major contributor to a significantly higher quality, as well as meeting the requisite quantity, of service personnel in both the active-duty forces and the Selected Reserve. For example, Secretary of the Army John Marsh expressed great support for the New GI Bill in his October 22, 1986, letter to Deputy Secretary of Defense William Taft, III (printed in full as an Appendix to this report) as follows:

> It is clear the New GI Bill is the best option for the Army. In recent years, the quality of Army recruits has improved in terms of education and AFQT scores. . . . During the first 12 months of the New GI Bill, the average monthly percentage of high quality graduate

> contracts written increased 14 percent compared to the last 12 months of VEAP. Contracts for I-IIIA recruits also increased 14 percent over the same period. Further, our most constrained market, high-quality, graduate males, has seen a 10 percent increase in contracts (6,000 soldiers) as a result of the New GI Bill.

The personnel chiefs of all four uniforms services expressed very similar viewpoints. Lieutenant General Robert M. Elton, Army Deputy Chief of Staff for Personnel, testified, "We found that subsequent to the initiation of the [New] GI Bill, . . . we did in fact have major increases in the total quality of young men and women who enlisted in the United States Army."

The Committee has been advised by the Department of the Army that the New GI Bill, and the high quality young people it helps recruit, is contributing substantially to saving $234 million annually due to reduced attrition—approximately the personnel costs for one Army division.

Vice Admiral Dudley L. Carlson, Chief of Naval Personnel, stated:

> We in the Navy totally endorse the New GI Bill. . . . We have seen our percentage of those signing up for the GI Bill in our new recruits increase dramatically over time; and in December [1986], we were having new recruits signing up for the GI Bill at 58 percent of those coming on board. . . . We don't think we have people join the Army or the Navy based on the benefits because they are largely the same; but they do play a very important role, and it is a . . . big recruiting incentive.

Lieutenant General Thomas A. Hickey, Air Force Deputy Chief of Staff for Personnel, testified:

> We do, in fact, see the New GI Bill as a very potent recruiting tool. Over 60 percent of our new recruits specify education and further education as one of the two or three primary things they are interested in as one of their reasons for reenlisting. . . . Not only have we had a significant increase in participation of our new recruits, we have found that the vast majority of those who do participate are in the top two mental categories. So, we are getting the kinds of qualily that we are interested in.

Lieutenant General Ernest C. Cheatham, Marine Corps Deputy Chief of Staff for Personnel, stated:

> In excess of 65 percent of the people that come in now and are talking to us are talking about the GI Bill. It brings people to us—good quality people. We support it, and we love it. It is a number one priority for our young people.

Continuation of Educational Assistance for Reservists Under the New GI Bill

As noted above, the Veterans' Educational Assistance Act of 1984 also established a new educational assistance program for members of the Selected Reserve under chapter 106 of title 10, United States

Code. All reservists who enlist, reenlist, extend, or commit to officer service for a period of at least 6 years during the test period can receive a noncontributory educational benefit of up to $5,040 for undergraduate college education. The Committee bill, in section 3, would provide for the continuation of the chapter 106 program by eliminating the July 1, 1988, deadline on participation eligibility.

The New GI Bill is already having an impact on the quality of recruits in the Selected Reserve. According to Dennis Shaw, Principal Deputy Assistant Secretary of Defense for Reserve Affairs, during FY 1986, the first full year of the New GI Bill, 5 percent more high school graduates (34,500) joined the Selected Reserve than in FY 1984, the last full fiscal year preceding the effective date of the New GI Bill.

The personnel chiefs for the individual uniformed services also testified to the value of the New GI Bill as a positive tool for recruiting and retaining reservists. For example, General Elton testified that, from July 1985 through July 1986, the Army Reserves realized an increase of 24 percent in the upper mental categories; high school graduates increased by 13 percent in the Army National Guard; and 6-year enlistments, which are very difficult but important to obtain, increased by 28 percent overall in the Army.

General Hickey testified that the New GI Bill is the number one reason for joining the Air Force Reserve.

General Cheatham testified that the Marine Corps credits the New GI Bill as the reason 6-year enlistments in the Marine Corps Selected Reserve have jumped 18 percent, and that retention has improved by 8 percent from 1985 to 1986, saving the Marine Corps an estimated $37 million in training, transfer, and education costs.

Revision of Declared Purposes

Section 4 of the Committee bill would add 3 new purpose clauses to the current declared purposes of the New GI Bill chapter 30 program, as set forth in section 1401 of title 38, United States Code. These new clauses are: (1) to extend the benefits of a higher education to qualifying men and women who might not otherwise be able to afford such an education, (2) to provide for vocational readjustment and to restore lost educational opportunities to those service men and women who served on active duty after June 30, 1985, and (3) to enhance our Nation's competitiveness through the development of a more highly educated and productive work force.

1. *Educational Opportunities for Those Who Otherwise Might Not Be Able To Afford Them.*—There was considerable testimony on the extent to which the New GI Bill puts higher education and training within the grasp of many who would not otherwise be able to afford it. For example, this view was expressed by the American Association of State Colleges and Universities, the Fleet Reserve Association, and the Veterans' of Foreign Wars. The New GI Bill, as with past GI Bills, provides veterans who return to civilian life an "earned" opportunity to catch up with their non-veteran peers—and to gain the skills and training needed to compete in the civilian job market. It also provides those who use their entitlement the opportunity to avoid the student-debt cycle so often associated with pursuing higher education. In this regard, Major Gen-

eral Robert F. Cocklin, AUS (Retired), representing the Association of the United States Army testified:

> A college education is the dream of a large segment of our youth . . . and their parents. . . . For many the cost is prohibitive, and for some they have not yet discovered a field of endeavor in which to focus their time, talent, and effort. It seems to us that there is no more economical and socially constructive way for the government to apportion precious resources than to reward military service to the nation by providing the financial means for higher education of America's top quality young men and women. It is not a grant; it is not a give-away program; it is smart business—and a prudent investment in human resources.

2. *Vocational Readjustment and Lost Educational Opportunities.*—The second purpose clause to be added is "to provide for vocational readjustment and restore lost educational opportunities to those service men and women who served on active duty after June 30, 1985".

The Committee believes that providing for vocational readjustment and restoring educational opportunities for servicemembers is an absolutely essential purpose of the New GI Bill. In this regard, the Committee notes that the transferability of peace-time military job skills is often lacking, particularly for servicemembers of the Army and Marine Corps who are trained in the combat arms specialties. Moreover, even for these All-Volunteer Force service men and women who are trained to operate sophisticated weaponry and communications and other support equipment, their training and experience frequently are not enough to make them competitive in related fields in our increasingly technological society. Educational assistance and training is often required to facilitate a smooth and enduring transition to civilian life.

3. *Global Competitiveness.*—The third purpose clause to be added to the New GI Bill is: "to enhance our Nation's competitiveness through the development of a more highly educated and productive work force."

The challenge to American economic world leadership has never been greater. Our competitive edge depends upon a skilled labor force. Critical, sophisticated new-growth industries—computers, robotics, and biotechnology to name a few—demand workers skilled in technology and a populace conversant with the rudiments of science. The speed and complexity of trade in the information age also requires worker—and management—versatility and a higher level of reasoning and analytical skills than that demanded by any other age in our history. Our nearest world competitor, Japan, recognized the importance of education for its own future 25 years ago, when its Economic Council declared, "Economic competition among nations is a technical competition that has become an educational competition."

Global economic leadership today demands managerial excellence, expert management of information and resources, foreign language skills, and a mastering of emerging technologies at every level. The challenge must be met through education and training, particularly—in view of the level of competency required—at the

college and university level. The more Americans who desire the opportunity for a higher education and are given encouragement and access to pursue it, the more effective will be America's response to the global challenge.

The members and veterans of, and Reservists in, the All-Volunteer Force who could be trained through the resources of the New GI Bill can make or break our competitive effort. They represent an enormous potential for consolidating or achieving world leadership in science, engineering, mathematics, business management, and the full range of the arts and humanities. We cannot afford to have them undereducated, underskilled, and underemployed.

REJECTION OF PROPOSED TRANSFER OF FUNDING AND BUDGETING TO DEPARTMENT OF DEFENSE

The Committee has considered and rejected the Administration's proposal to transfer from the VA to the Defense Department funding of the basic benefits under the chapter 30 program ($300 per month) and all budgeting responsibility for that program. If the basic chapter 30 New GI Bill program were solely or primarily an Armed Services' recruitment or retention device, the Committee might be agreeable to that proposal. However, as noted above, the Committee also supports continuing the New GI Bill because of the great value of the program as a readjustment benefit and the important contribution the educational assistance program makes to our national economy and our society as a whole.

As the Committee's proposed revision of the purpose clauses make clear, the New GI Bill is not seen as exclusively, and not even necessarily as primarily, a recruitment and retention program. Indeed, the first-listed purpose in existing law is "to provide a new educational assistance program to assist in the readjustment of members of the Armed Forces to civilian life."

In addition, Assistant Secretary of Defense Cox testified that, if Congress believed that the New GI Bill program had major readjustment and educational purposes in addition to its recruitment and retention value, then the Defense Department would not object to the Congress' continuing to fund the basic benefit through the VA although the Office of Management and Budget would.

CONCLUSION

It is the Committee's view that now is the time to act to remove any further uncertainty about the future of this program. It would be very difficult to design a better, more cost-effective program than the New GI Bill to meet the needs of the military, the individual, and society.

COST ESTIMATE

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee, based on information supplied by the Congressional Budget Office (CBO), estimates that the costs resulting from the enactment of the Committee bill (as compared to costs under current law) during the first 5 years following enactment would be $46 million in budget authority and minus $15 mil-

lion in outlays in FY 1988; $138 million in budget authority and minus $80 million in outlays in FY 1989; $55 million in budget authority and minus $132 million in outlays in FY 1990; $63 million in budget authority and minus $93 million in outlays in FY 1991; and $82 million in budget authority and minus $47 million in outlays in FY 1992. The cost estimate provided by CBO, setting forth a detailed breakdown of the costs, follows:

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

March 16, 1987

Honorable Alan Cranston
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Congressional Budget Office has reviewed S. 12, the New GI Bill Continuation Act, as ordered reported by the Senate Committee on Veterans' Affairs, February 26, 1987.

Should the committee so desire, we would be pleased to provide further details of the attached cost estimate.

With best wishes,

Sincerely,

Edward M. Gramlich
Acting Director

cc: Honorable Frank H. Murkowski
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 16, 1987

1. BILL NUMBER: S. 12.

2. BILL TITLE: The New GI Bill Continuation Act.

3. BILL STATUS:

As ordered reported by the Senate Committee on Veterans' Affairs, February 26, 1987.

4. BILL PURPOSE:

To amend title 38, United States Code and title 10, United States Code, to remove the expiration date for eligibility for the educational assistance programs for veterans of the All-Volunteer Force; and for other purposes.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

(by fiscal years, in millions of dollars)

	1987	1988	1989	1990	1991	1992
FUNCTION 050						
Budget Authority	---	61	229	218	209	202
Outlays	---	61	229	218	209	202
FUNCTION 700						
Budget Authority	---	-15	-91	-163	-146	-120
Outlays	---	-76	-309	-350	-302	-249
Net Budgetary Effect						
Budget Authority	---	46	138	55	63	82
Outlays	---	-15	-80	-132	-93	-47

Basis of Estimate

This bill would extend indefinitely the June 30, 1988 expiration date for the New GI Bill. Servicemembers enlisting after July 1, 1988 would now be eligible for the New GI Bill educational assistance program. This extension was assumed in the CBO baseline. For this reason, this bill has no costs or savings relative to CBO baseline. All costs shown in this estimate are relative to current law.

The following table shows the budget impacts of this bill by account.

	(by fiscal years, in millions of dollars)					
	1987	1988	1989	1990	1991	1992
FUNCTION 050						
DOD Contribution to the Educational Benefits Fund						
Budget Authority	---	61	229	218	209	202
Outlays	---	61	229	218	209	202
FUNCTION 700						
Readjustment Benefits						
Budget Authority	---	---	---	2	11	30
Outlays	---	---	---	2	11	30
Deductions from Pay						
Budget Authority	---	-17	-99	-185	-186	-187
Outlays	---	-17	-99	-185	-186	-187
Educational Benefits Fund						
Budget Authority	---	63	237	238	238	239
Outlays	---	2	19	51	82	110
Offsetting Receipt for DOD Contribution						
Budget Authority	---	-61	-229	-218	-209	-202
Outlays	---	-61	-229	-218	-209	-202

FUNCTION 050

The Department of Defense would transfer money on an accrual basis to the Educational Benefits Fund to pay for supplemental and reservists benefits for those individuals entering the program after June 30, 1988.

FUNCTION 700

The Veterans' Administration would be responsible for funding the basic $300 benefit for all those training. Training expenditures would be paid out of the readjustment benefits account. Estimates of training were derived by using historical data on participation in the current readjustment benefits program and the VEAP program.

Deductions from servicemembers pay for participation in the New GI Bill program are shown as offsetting receipts in function 700. The estimates are based on a participation rate of approximately 60 percent by those servicemembers who would

be made eligible to participate by this bill. This figure was derived from the percentage of enlistments in 1985 and 1986 that participated in the program.

The Education Benefits Fund budget authority includes funds transferred from DOD to pay for supplemental and reservists benefits and interest accumulated by the fund. Outlays from this fund represent training expenditures for supplemental and reservist benefits.

Shown also is a receipt account which serves to offset the funds transferred from function 050 to function 700 so that the outlays will only be counted once--when the servicemember trains.

6. ESTIMATED COST TO STATE AND LOCAL GOVERNMENT:

The Congressional Budget Office has determined that the budgets of state and local governments would not be directly affected by enactment of this bill.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE: CBO has prepared estimates of H. R. 1085 as ordered reported by the House Committee on Veterans' Affairs, March 4, 1987 and of H.R. 1085 as ordered reported by the House Committee on Armed Services, March 11, 1987. The ordered reported versions of these bills are similar to S. 12.

9. ESTIMATE PREPARED BY: Marianne Deignan (226-2820).

10. ESTIMATE APPROVED BY:

James L. Blum
Assistant Director
for Budget Analysis

Regulatory Impact Statement

In compliance with paragraph 11(b) of the rule XXVI of the Standing Rules of the Senate, the Committee has made an evaluation of the regulatory impact which would be incurred in carrying out the Committee bill. The results of that evaluation are described below.

The Committee bill would provide for the indefinite continuation of the programs of educational assistance, known as the "New GI Bill," under chapter 30 of title 38 and chapter 106 of title 10, United States Code. The Committee finds that the Committee bill would not entail any significant regulation of any individuals or businesses or result in any significant impact on the personal privacy of any individuals and that the paperwork resulting from enactment would be minimal.

Section-by-Section Analysis of S. 12 as Reported

Section 1

Would provide that this measure may be cited as the "New GI Bill Continuation Act".

Section 2

Would amend provisions of chapter 30, title 38, United States Code, relating to the educational assistance program (known as the "New GI Bill") for certain members and veterans of active duty in the All-Volunteer Force, to eliminate the current deadline, June 30, 1988, by which individuals must enter on active duty in order to be eligible to participate.

Subsection (a) of section 1 would amend present section 1411(a)(1)(A) of title 38—relating to the 3-year period, July 1, 1985, through June 30, 1988, during which an individual must initially become a member of the Armed Forces and enter on active duty in order to earn New GI Bill entitlement through active service only (that is, without service in the Selected Reserve)—to eliminate the June 30, 1988, deadline. With this amendment, the opportunity to participate in the program would be open to all those who first become servicemembers and enter on active duty after June 30, 1985.

Subsection (b) of section 2 would amend present section 1412(a)(1)(A)—relating to the 3-year period, July 1, 1985, through June 30, 1988, during which an individual must initially become a member of the Armed Forces and enter on active duty in order to earn New GI Bill entitlement through a combination of active service and service in the Selected Reserve—to eliminate the June 30, 1988, deadline. With this amendment, the opportunity to participate in the program would be open to all those who first become servicemembers and enter on active duty after June 30, 1985.

Section 3

Would amend present section 2132(a)(1) of title 10, United States Code—relating to the 3-year period, July 1, 1985 through June 30, 1988, during which an individual must enlist, reenlist, or extend an enlistment in, or agree to serve as an officer in, the Selected Re-

serve for a specified period in order to earn entitlement for New GI Bill benefits under chapter 106 of title 10—to eliminate the June 30, 1988, deadline. With this amendment, the opportunity to earn New GI Bill entitlement would be open to all those who after June 30, 1985, so enlist, reenlist, extend, or agree to serve as officers in the Selected Reserve.

Section 4

Would amend present section 1401 of title 38, relating to the Congressionally-declared purposes of chapter 30, to add three new purposes, as follows:

First, to extend the benefits of a higher education to qualifying men and women who might not otherwise be able to afford such an education.

Second, to provide for vocational readjustment and to restore lost educational opportunities to those service men and women who served on active duty after June 30, 1985.

Third, to enhance our Nation's competitiveness through the development of a more highly educated and productive work force.

The first two of these purposes are derived from section 1651(2) and (3) of title 38, declaring the purposes of chapter 34 of title 38, the so-called "Vietnam-era GI Bill".

Tabulation of Votes Cast in Committee

In compliance with paragraph 7 of rule XXVI of the Standing Rules of the Senate, the following is a tabulation of votes cast in person or proxy by Members of the Committee on Veterans' Affairs at the February 26, 1987, Committee meeting to consider S. 12.

The Committee agreed to report S. 12 favorably to the Senate by a 11-0 vote, as follows:

YEAS—11	NAYS—0
Alan Cranston	
Spark M. Matsunaga	
Dennis DeConcini	
George J. Mitchell	
John D. Rockefeller, IV	
Bob Graham	
Frank H. Murkowski	
Alan K. Simpson	
Strom Thurmond	
Robert T. Stafford	
Arlen Specter	

Agency Reports

On February 16, 1987, the Committee Chairman requested the Administrator of Veterans' Affairs and the Director of the Office of Management and Budget for reports setting forth those agencies' views on S. 12. Since no reports have yet been received, in lieu thereof the full statements submitted by the VA's Chief Benefits Director and by the Assistant Secretary of Defense for Force Management and Personnel for the Committee's February 4, 1987, hearing setting forth agency views on the bill are included. The statements follow:

STATEMENT OF

R. J. VOGEL

CHIEF BENEFITS DIRECTOR

VETERANS ADMINISTRATION

BEFORE THE

SENATE COMMITTEE ON VETERANS' AFFAIRS

FEBRUARY 4, 1987

Mr. Chairman and members of the Committee:

I am most pleased to be here today before you to share with you the views of the Veterans Administration on legislation pending before your Committee. The particular legislation is S. 12, the New GI Bill Continuation Act. This bill would remove the expiration date for programs of educational assistance provided under title 38, United States Code, chapter 30, and under title 10, United States Code, chapter 106. These are the programs that we refer to respectively as the New GI Bill-Active Duty and the New GI Bill-Reserves.

Before discussing our experience to date with the New GI Bill and offering some projections for its expected growth, I believe it is useful to provide a brief historical perspective of our educational assistance programs.

Mr. Chairman, our country has a proud tradition of assisting in the smooth transition of veterans from military to civilian life through educational and training assistance for over 42 years now. Since June 1944, over 18 million veterans and service personnel have received educational assistance under three GI Bills. These 18 million veterans and servicepersons include 7.8 million under the World War II GI Bill, almost 2.4 million under the Korean conflict GI Bill, and over 8 million trainees under the post-Korean Vietnam era GI Bill. All of these programs operated in conjunction with the draft and afforded a readjustment opportunity for many people whose lives were involuntarily disrupted. The programs undertaken have taken place in classrooms, businesses, on farms, at schools of higher learning and even at elementary schools. In terms of content, they range from remedial mathematics to advanced calculus and everything in between.

The costs of these three GI Bills totalled close to $60 billion. Out of this figure, $14.5 billion was spent on the World War II GI Bill; $4.5 billion was for the Korean conflict GI Bill; and some $40 billion for the post-Korean Vietnam era GI Bill.

Under the current post-Korean Vietnam era GI Bill, over eight million Vietnam era veterans and service personnel have received training. This number of trainees, as a percentage of the Vietnam era veterans population (10,150,000 including those with service between May 7, 1975 and January 1, 1977), gives a Vietnam era participation rate of 68.0 percent, compared with 50.5 percent for the World War II GI Bill and 43.4 percent for the Korean conflict GI Bill.

Participation in college level training is greater under the post-Korean Vietnam era program than under either the World War II or the Korean conflict program. College participation for World War II veterans was 14.4 percent; for Korean conflict veterans, it was 22 percent; and for post-Korean conflict veterans and service personnel, who served between 1955 and 1976, it was 22.7 percent through September 1986. Vietnam era veterans and service personnel who served between August 5, 1964 and January 1, 1977 have participated in college level training to a greater extent than any other group of veterans. They have a college participation rate of 43 percent.

The GI Bill programs have been widely acclaimed as the best investment America has ever made. During the four decades

since the original GI Bill, we have worked with Congress in the oversight of our programs, and have assisted schools in obtaining course approvals and in meeting their enrollment reporting obligations. We have had to be flexible in our administration of educational benefits programs so as to adapt to changes in policy and practice within the educational community; changing veteran needs; and shifting governmental priorities. Through it all, we have learned much about how to efficiently administer veterans' education programs. Moreover, we are proud of our role in implementing laws which have promoted quality education for our Nation's veterans, providing them the opportunity to be the best that they can be.

The post-Korean Vietnam era GI Bill is, of course, scheduled to end on December 31, 1989. Each year, from now until 1990, it is predicted that fewer and fewer veterans will participate. Congress, in October of 1984, enacted Public Law 98-525, bringing into being the New GI Bill test program. This new law (as amended by Public Law 99-576) provided a program of education benefits not only for servicepersons and veterans, but also for reservists and repealed VEAP, the DOD-funded, VA-administered peacetime education benefits program which had been in effect since 1976. The effective date for the new programs was July 1, 1985.

The New GI Bill-Reserves was the program with the first significant number of trainees. Through the end of December 1986, 43,130 reservists have trained under the New GI Bill-Reserves. Current projections are that the number of trainees will peak in Fiscal Year 1989 to about 140,000. Over time, we expect that the larger program will be the New GI Bill-Active Duty. We expect close to 180,000 trainees in Fiscal Year 1992. The number of actual trainees is low now, but that is to be expected because few individuals have yet served long enough to become eligible. In Fiscal Year 1987, the number of these trainees will pick up because that is when those with two-year enlistments become eligible for training. We expect 800 of these trainees in Fiscal Year 1987.

I previously mentioned, in passing, Public Law 99-576, the Veterans' Benefits Improvement and Health-Care Authorization Act of 1986. This legislation, which was signed into law this past fall, made a number of significant changes to the New GI Bill-Active Duty. It added apprenticeship and on-job training, as well as correspondence training and work-study, just to mention a few. The VA has great experience in administering these programs and will be honored to continue to do so.

As you know, the Administration supports making the New GI Bill program permanent -- the purpose of S.12. The Administration also proposes to (a) continue funding the additional "kicker" benefits at their current levels, (b) continue VA administration of the program, (c) maintain the basic benefit level for six-year terms of enlistment, and (d) continue the reserve benefits at their current level pending completion of the Sixth Quadrennial Review of Military Compensation which is conducting an extensive review of Reserve compensation.

An additional two changes in the current operation of the program are proposed in the President's 1988 Budget: (1) To shift funding responsibility for the basic benefit from VA to DOD, and (2) to restructure the basic benefit to offer progressively lower benefits for shorter terms of service. These two modifications are proposed to ensure that the educational enlistment benefits of the New GI Bill will be productive for the armed services. Because these changes relate to the needs of the armed services, we defer to DOD for a detailed explanation of the rationale.

The Administration strongly urges the Committee to amend S.12 to include all of the changes to the New GI Bill which are proposed in the President's Budget.

Mr. Chairman, that concludes my testimony. I would be happy to respond to any questions you or the members of the Committee may have.

Testimony of

HONORABLE CHAPMAN B. COX

ASSISTANT SECRETARY OF DEFENSE

(FORCE MANAGEMENT AND PERSONNEL)

Before the

SENATE COMMITTEE on VETERANS' AFFAIRS

Regarding the

NEW GI BILL

4 February 1987

Room 418, Russell Senate Office Building

Good morning Mr. Chairman.

It is a privilege to appear before this committee which has done so much over the years for American Service men and women. The men and women of the Armed Forces are the backbone of our nation's defense structure. They are proud and patriotic citizens and I know they are grateful to this committee for ensuring their fair treatment as they return to civilian life.

Today, you have requested that I comment on the Administration's position with respect to the New GI Bill. This program, administered under your oversight, is a good example of the important role you play in providing for American military personnel in their transition back to civilian life.

For over 40 years, veterans have been eligible for Federal education assistance under a variety of programs. These assistance programs have been authorized for a number of reasons:

1 to provide Service members with a corpensating benefit for adversities they endure such as low pay, harsh environments, physical danger and undesirable tasks;

2 to make service in the Armed Forces more attractive;

3 to provide training and readjustment to civilian life for those who have served in the Armed Forces; and

4 to provide an education for those citizens who might not otherwise be able to afford one.

These programs were of considerable value both to the nation and to its Service members. However, both military service and the rationale for educational benefits have changed markedly since the inception of the All-Volunteer Force in 1983. Today, our recruits make a voluntary decision to undertake military service, many of them motivated by the competitive levels of pay and improved quality of life in our Armed Forces. In this environment, we view the New GI Bill not as a readjustment benefit, but rather as one of many recruiting tools, all of which contribute to the maintenance of a high-quality volunteer force.

The Educational Assistance Test Program, which we conducted during 1981, confirmed that educational benefits, if sufficiently generous, can attract high quality people to the Armed Forces. A separate study, conducted by the Congressional Budget Office in March 1982, validated the results of the Education Assistance Test Program and also pointed out that enlistments of high school

graduates with above average aptitude test scores increased with generous education benefits.

The study found, however, that educational benefits are much less cost effective than targeted incentives such as enlistment bonuses. Further, the study pointed out that negative retention effects may offset gains made in recruiting.

We believe the New GI Bill has the potential to be an effective recruiting incentive. For this reason, we support making this program permanent. To fit into the overall context of the DoD recruiting program, however, we believe that it should be more of a targeted program. For this reason, we are submitting a legislative proposal that will:

1 restructure the basic benefit to provide a benefit that varies with the term of enlistment;

2 continue targeted incentives (known as "kickers"); and

3 transfer funding of the basic benefit from the VA to DoD.

Placing both policy and fiscal responsibility for the New GI Bill with the Department of Defense will permit a concentrated

approach to using of educational benefits which emphasizes their effectiveness as a recruiting incentive.

We will be able to build on the level of variable basic benefit with additional targeted incentives that recognize special recruiting needs of the individual Services. These "kickers" can be varied as necessary and tied to hard-to-fill skills, test scores or other criteria.

This concludes my prepared statement. Thank you again for the opportunity to appear. I will be pleased to respond to your questions.

CHANGES IN EXISTING LAW MADE BY S. 12 AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 10—ARMED FORCES

* * * * * * *

PART III—TRAINING

* * * * * * *

CHAPTER 106—EDUCATIONAL ASSISTANCE FOR MEMBERS OF THE SELECTED RESERVE

* * * * * * *

§ 2132. Eligibility for educational assistance

(a) A person who—

(1) [during the period beginning on July 1, 1985, and ending on] *after* June 30, [1988—] *1985*—

(A) enlists, reenlists, or extends an enlistment as a Reserve for service in the Selected Reserve for a period of not less than six years; or

(B) is appointed as, or is serving as, a reserve officer and agrees to serve in the Selected Reserve for a period of not less than six years in addition to any other period of obligated service in the Selected Reserve to which the person may be subject; and

(2) before completing initial active duty for training has received a secondary school diploma (or an equivalency certificate);

is entitled to educational assistance under section 2131 of this title.

* * * * * * *

TITLE 38—UNITED STATES CODE

* * * * * * *

PART III—READJUSTMENT AND RELATED BENEFITS

* * * * * * *

CHAPTER 30—ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE PROGRAM

* * * * * * *

Subchapter I—Purposes; Definitions

§ 1401. Purposes

The purposes of this chapter are—

(1) to provide a new educational assistance program to assist in the readjustment of members of the Armed Forces to civilian life after their separation from military service;

(2) to extend the benefits of a higher education to qualifying men and women who might not otherwise be able to afford such an education;

(3) to provide for vocational readjustment and to restore lost educational opportunities to those service men and women who served on active duty after June 30, 1985;

[(2)**]***(4)* to promote and assist the All-Volunteer Force program and the Total Force Concept of the Armed Forces by establishing a new program of educational assistance based upon service on active duty or a combination of service on active duty and in the Selected Reserve (including the National Guard) to aid in the recruitment and retention of highly qualified personnel for both the active and reserve components of the Armed Forces; **[**and**]**

[(3)**]***(5)* to give special emphasis to providing educational assistance benefits to aid in the retention of personnel in the Armed **[**Forces.**]** *Forces; and*

(6) to enhance our Nation's competitiveness through the development of a more highly educated and productive work force.

* * * * * * *

Subchapter II—Basic Educational Assistance

§ 1411. Basic educational assistance entitlement for service on active duty

(a) Except as provided in subsection (c) of this section, each individual—

(1) who—

(A) **[**during the period beginning on July 1, 1985, and ending on**]** *after* June 30, **[**1988,**]** *1985,* first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces and—

(i) who (I) serves at least three years of continuous active duty in the Armed Forces, or (II) in the case of an individual whose initial period of active duty is less

than three years, serves at least two years of continuous active duty in the Armed Forces; or

(ii) who serves in the Armed Forces and is discharged or released from active duty (I) for a service-connected disability or for hardship, or (II) for the convenience of the Government, in the case of an individual who completed not less than 20 months of continuous active duty, if the initial obligated period of active duty of the individual was less than three years, or in the case of an individual who completed not less than 30 months of continuous active duty if the initial obligated period of active duty of the individual was at least three years; or

(B) as of December 31, 1989, is eligible for educational assistance benefits under chapter 34 of this title and was on active duty on October 19, 1984, and without a break in service since October 19, 1984, and—

(i) after June 30, 1985, serves at least three years of continuous active duty in the Armed Forces; or

(ii) after June 30, 1985, is discharged or released from active duty (I) for a service-connected disability or for hardship, or (II) for the convenience of the Government, if the individual completed not less than 30 months of continuous active duty after that date;

(2) who, before completion of the service described in clause (1) of this subsection, had received a secondary school diploma (or an equivalency certificate); and

(3) who, after completion of the service described in clause (1) of this subsection—

(A) is discharged from service with an honorable discharge, is placed on the retired list, is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or is placed on the temporary disability retired list;

(B) continues on active duty; or

(C) is released from active duty for further service in a reserve component of the Armed Forces after service on active duty characterized by the Secretary concerned as honorable service;

is entitled to basic educational assistance under this chapter.

* * * * * * *

§ 1412. Basic educational assistance entitlement for service in the Selected Reserve

(a) Except as provided in subsection (d) of this section, each individual—

(1) who—

(A) [during the period beginning on July 1, 1985, and ending on] *after* June 30, [1988,] *1985,* first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces and—

(i) serves at least two years of continuous active duty in the Armed Forces characterized by the Secretary concerned as honorable service; and

(ii) subject to subsection (b) of this section and after completion of the service on active duty described in subclause (i) of this clause, serves at least four years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in training as required by the Secretary concerned; or

(B) as of December 31, 1989, is eligible for educational assistance under chapter 34 of this title and was on active duty on October 19, 1984, and without a break in service since October 19, 1984, and—

(i) after June 30, 1985, serves at least two years of continuous active duty in the Armed Forces characterized by the Secretary concerned as honorable service; and

(ii) after June 30, 1985, subject to subsection (b) of this section and after completion of such two years of service, serves at least four continuous years in the Selected Reserve during which the individual participates satisfactorily in training as prescribed by the Secretary concerned;

(2) who, before completion of the service described in clause (1) of this subsection, has received a secondary school diploma (or an equivalency certificate); and

(3) who, after completion of the service described in clause (1) of this subsection—

(A) is discharged from service with an honorable discharge, is placed on the retired list, or is transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service in the Selected Reserve characterized by the Secretary concerned as honorable service; or

(B) continues on active duty or in the Selected Reserve;

is entitled to basic educational assistance under this chapter.

* * * * * * *

APPENDIX

This appendix sets forth an October 22, 1986, letter from Secretary of the Army John Marsh to Deputy Secretary of Defense William Taft III.

SECRETARY OF THE ARMY
WASHINGTON

22 October 1986

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SUBJECT: New GI Bill--INFORMATION MEMORANDUM

I want to thank you for taking time to visit with us at the Army Commanders' Conference on Thursday. We were all extremely encouraged by your remarks, particularly those concerning the New GI Bill. As you may know, not all share our opinion that the New GI Bill is a winner for the soldier, the Army and the Nation. Let me share with you some of the reasons why we think this is true.

The New GI Bill is the most attractive option available to the soldier, primarily because of the improvement of benefits over VEAP. Over 80 percent of our new soldiers are presently participating in the New GI Bill which is double the rate that opted for VEAP. This benefit for the soldier manifests itself in greater benefits for the Army and the Nation, as shown below.

It is clear the New GI Bill is the best option for the Army. In recent years, the quality of Army recruits has improved in terms of education and AFQT scores. This is due, in part, to improved recruiting incentives. Today over 90 percent of Army recruits are high school graduates compared to 54 percent in 1980. The reduced attrition resulting from this increase in high school graduates saves the Army about 13,000 personnel annually -- almost an entire division. The New GI Bill is significantly improving upon our past increases. During the first 12 months of the New GI Bill, the average monthly percentage of high quality graduate contracts written increased 14 percent compared to the last 12 months of VEAP.

Contracts for I-IIIA recruits also increased 14 percent over the same period. Further, our most constrained market, high-quality, graduate males, has seen a 10 percent increase in contracts (6,000 soldiers) as a result of the New GI Bill. The Reserve Components receive similar benefit from the New GI Bill. In the first 12 months since enactment of the New GI Bill, the U.S. Army Reserve I-IIIA enlistments increased 24 percentage points, high school enlistments increased 7 percentage points and six year enlistments increased 19 percentage points as compared to the last 12 months of VEAP. The Army is in an extremely competitive recruiting market whose out-year demographics make the recruiting mission even more difficult. The best incentives are absolutely essential to attract America's quality young men and women. The New GI Bill has shown that it is the education incentive best able to attract quality recruits.

Our Nation provides billions in education incentives every year to improve our human capital. Department of Education Pell Grants alone totaled $3.8B last year. Our Nation is served best by an educational incentive which most improves our people resource. Participation rates indicate that the New GI Bill is the incentive which will be most used by our soldiers and will, therefore, provide the greatest improvement to society as a whole. Because of the individual's improved occupational advantage, the economic return to the local, state and federal governments in terms of tax revenues is estimated to be three to six dollars for every one dollar in GI Bill benefits paid. This is definitely the smart way to invest our dollars.

Without a doubt, the New GI Bill is, across the board, the best educational incentive the Department of Defense has to offer. The Army appreciates your continued support for this valuable program and, we look forward to working with you during the PBD process in an evaluation of the New GI Bill and other alternatives.

John O. Marsh, Jr.

O